

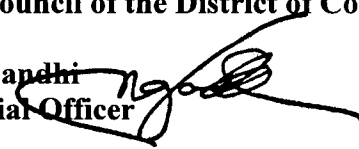
**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: May 20, 2009

SUBJECT: Fiscal Impact Statement – “Square 50, Lot 87 Limited Real Property Tax Abatement Act of 2009”

REFERENCE: Bill Number 18-221, As Introduced

Conclusion

Funds are not sufficient in the proposed FY 2010 through FY 2013 budget and financial plan to implement the proposed legislation. The proposed legislation would result in a negative fiscal impact of approximately \$1,650 in FY 2010, and \$18,800 over the FY 2010 through FY 2013 budget and financial planning period. Implementation of the proposed legislation would be subject to the inclusion of its fiscal effect in an approved budget and financial plan.

Background

The proposed legislation would amend Chapter 46 of Title 47 of the D.C. Official Code to abate real property taxes for Square 50, Lot 87 for a period of seven years. The amount of the abatement would be equal to the amount of property taxes owed in excess of the Tax Year 2009 property tax liability. Therefore, if enacted, the proposed legislation would freeze the amount of property tax imposed on the property for seven years at the Tax Year 2009 level, forgiving any taxes owed above that level.

Square 50, Lot 87 is located at 2201 through 2213 M Street, NW in Ward 2, at the corner of 22nd and M Street NW. Currently, a hotel is being constructed on the property, with an expected

completion date of September 2010.¹ The property is classified as Commercial Property (Class 2), and is taxed at a rate of \$1.65 per \$100 for the first \$3 million of assessed value and \$1.85 per \$100 of assessed value in excess of \$3 million.

Financial Plan Impact

Funds are not sufficient in the proposed FY 2010 through FY 2013 budget and financial plan to implement the proposed legislation. The proposed legislation would reduce real property tax collections by \$1,647 in FY 2010, and \$18,831 over the FY 2010 through FY 2013 budget and financial planning period. Table 1 below presents the detail calculation of the fiscal impact of Bill Number 18-221.

Table 1. Estimated Impact on the FY 2010 – FY 2013 Budget and Financial Planning Period					
	FY2010	FY2011	FY2012	FY2013	4 Year Total
Total Assessed Value ^a	\$22,057,980	\$22,057,980	\$22,057,980	\$22,719,719	\$88,893,659
Total Tax Liability ^b	\$402,073	\$402,073	\$402,073	\$414,315	\$1,620,533
Total FY2009 Tax Liability	\$400,425	\$400,425	\$400,425	\$400,425	\$1,601,702
Total Value of Abatement	\$1,647	\$1,647	\$1,647	\$13,889	\$18,831
Total Negative Fiscal Impact	\$1,647	\$1,647	\$1,647	\$13,889	\$18,831

^a The value of the property is expected to remain constant in FY2011, and FY2012; then in FY 2013, the property value is expected to grow by 3 percent.

^b Square 50, Lot 87 is classified as commercial property (class 2) and therefore taxed at a rate of \$1.65/\$100 for the first \$3 million of the assessed value, and \$1.85/\$100 for the value in excess of \$3 million.

Additionally, the proposed legislation would have an impact beyond the FY 2010 though FY 2013 budget and financial, as the tax abatement would remain in effect for seven years. Between FY 2014 and FY 2016, the proposed legislation, if enacted, would further reduce property tax collections by a total of \$118,849, for a cumulative impact of \$137,680. See Table 2.

Table 2. Estimated Impact FY 2014-FY 2016 *		
Year	Fiscal Impact	Cumulative Impact
FY 2014	\$26,499	\$45,330
FY 2015	\$39,487	\$58,318
FY 2016	\$52,864	\$71,695
Total FY 2014 – FY 2016	\$118,849	

* It is assumed that property growth is constant at 3 percent.

¹ The Perseus Realty, LLC and Starwood Capital Group are co-developing the "1" Hotel on Square 50, Lot 87. More information about the hotel development project is available at: <http://www.perseusrealty.com/realty-llc/pages/project12.htm> .